



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section



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FILE COPY

January 26, 2011

Donna Brooks, Communications Commissioner
Communications Division
4971 Oakland Avenue
St. Louis, MO 63110-1401

RE: Revenue Review (Project #2011-07)

Dear Ms. Brooks:

Enclosed is the Internal Audit Section's cable television revenue review report of the Communications Division for the period of January 1, 2009 through March 31, 2010. A description of the scope of our work is included in the report.

Fieldwork was completed on September 27, 2010. Management's responses to the observations and recommendations noted in the report were received on January 13, 2011, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Cc: Curtis B. Skouby, Director

Enclosure



CITY OF ST. LOUIS

COMMUNICATIONS DIVISION

CABLE TELEVISION

REVENUE REVIEW

JANUARY 1, 2009 THROUGH MARCH 31, 2010

PROJECT #2011-07

DATE ISSUED: JANUARY 26, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNICATIONS DIVISION
CABLE TELEVISION REVENUE REVIEW
JANUARY 1, 2009 THROUGH MARCH 31, 2010**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a revenue review for the Communications Division. The purpose was to determine if the Communications Division effectively and efficiently managed risks to ensure:

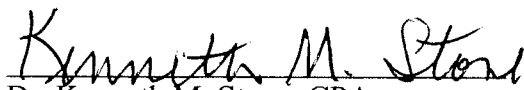
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of fiscal information
- Economic and efficient use of resources

Conclusion

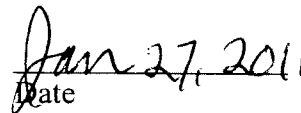
The opportunity exists for the Communications Division to improve internal controls over the revenue. The following are the observations resulting from the review:

1. Opportunity to follow procedures manual
2. Opportunity to improve internal controls over cable television gross receipts

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.



Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
COMMUNICATIONS DIVISION
CABLE TELEVISION REVENUE REVIEW
JANUARY 1, 2009 THROUGH MARCH 31, 2010**

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INTRODUCTION

Background

The Communications Division (Division) for the City of St. Louis manages the local government access channel known as STL TV and the closed-circuit channel, providing relevant informational programming to city residents 24/7 and public relations services for city departments and agencies. The Division is authorized under Chapter 23.64 of the St. Louis City Revised Code Communications Transmission Systems to oversee compliance with licensing, permitting, and construction oversight for private and commercial telecommunications businesses. The Division also enforces the five cable franchise ordinances and monitors compliance with RSMO Chapter 67.2675 to 67.2714 of the Video Services Providers Act.

Purpose

The purpose was to determine if the Division effectively and efficiently manages risks to ensure:

- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of fiscal information
- Economic and efficient use of resources

Scope and Methodology

The review was confined to evaluating internal controls over the operational and fiscal activities pertaining to the Division's gross receipts revenue. The audit procedures included inquiries of management and staff, observations of relevant processes, and reviews for compliance with policies and procedures, as well as applicable laws and regulations. Limited tests of controls, follow-ups on prior audit observations, and other procedures considered necessary were performed.

Exit Conference

An exit conference was conducted at the Division on January 4, 2011. The Division was represented by Donna Brooks, Communications Commissioner and Julia Creighton, Executive Secretary. The Internal Audit Section was represented by Craig Frazier, Auditor in-Charge and Dr. Ishmael Ikpeama, Internal Audit Supervisor.

Management's Responses

Management's responses to the observations and recommendations identified in the report were received from the Agency on January 13, 2011. These responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

The Division has not been reviewed by Internal Audit previously.

Summary of Current Observations

Internal Audit Section (IAS) noted that the Division's management has established procedures to reconcile its cable receipts to the City general ledger on a quarterly basis.

The opportunity exists, however, for the Division to improve internal controls over the handling of its cable receipts. The following are the observations resulting from the review:

1. Opportunity to follow procedures manual
2. Opportunity to improve internal controls over cable television gross receipts

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To follow Procedures Manual

All checks received by the Division are currently forwarded to the Comptroller's Office by the Communications Commissioner for processing. A cover letter stating that checks and supporting documentation were received by the Comptroller's Office is maintained in the Divisions' files.

The written procedures state that all checks received by the Division should be forwarded to the Treasurer's Office along with supporting documentation.

The Division does not have a system of internal controls to ensure compliance with its written procedures.

Non-compliance with the written procedures may result in the receipts not being deposited into the bank in a timely manner.

Recommendation

It is recommended that the Division follow its written procedures for receiving, recording, and tracking gross receipts.

Management's Responses

While the Communications Division had had an administrative policy in place dedicated to handling the receipt of checks and payments it did not detail the specific steps taken by personnel. The policy has been updated and now includes details related to the procedures to be followed for handling all revenues received by the division.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

2. Opportunity To Improve Internal Controls Over Cable Television Gross Receipts

The Division does not maintain a log of incoming gross receipts. A log should contain the following:

- Date gross receipts were received.
- Source of gross receipts.
- Amount of gross receipts.
- Date receipts were submitted to Comptroller's Office.
- Date payment is reflected in the City's General Ledger.

Such a tracking tool will be beneficial to management for determining if payments are being received and processed in a timely manner.

Good management practices dictate that a means of tracking incoming gross receipts be established. They also require the reconciliation of gross receipts to ensure that they are properly recorded to the City's general ledger. This control can be strengthened by tracking gross receipts throughout the entire process.

Procedures have not been updated since April 2006. The current manual was in place under previous management and has not been updated to reflect the current methods.

Receipts may not be adequately accounted for, or misappropriated if they are not immediately logged in.

Recommendation

It is recommended that the Communications Division include a processing step in their procedure manual for logging in funds received. This step will increase management's control over revenue received. Gross receipts should be logged to ensure adequate recording and tracking.

Management's Responses

While the practice of the division has been to maintain an excel spreadsheet detailing dates of gross receipts received, sources of gross receipts, amount of gross receipts, dates receipts were submitted to Comptrollers office and reconciling the payments with the Comptrollers AIMS report our written policy did not reflect such actions. However, I do believe that during the audit review, we were able to show documentation reflecting that such practices were being followed. In addition, our policy has been updated to reflect the details of our procedures.